

# Personal Finance - Goals, Budgeting, and Wealth Building Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## Questions

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- 1. Which items should be stored in a safe-deposit box?**
  - A. Names and contact information for financial advisers**
  - B. Copies of financial plans**
  - C. Employer retirement plan correspondence**
  - D. All of the above**
  
- 2. What is budget variance?**
  - A. The difference between the amount budgeted and the actual amount spent or received.**
  - B. The total income for the period.**
  - C. The rate at which expenses grow.**
  - D. The net worth at the end of the period.**
  
- 3. Budget variance is defined as which of the following?**
  - A. The total revenue for the budgeting period.**
  - B. The remaining cash after paying bills.**
  - C. The difference between the amount budgeted and the actual amount spent or received.**
  - D. The rate of inflation affecting the budget.**
  
- 4. What does a cash-flow statement summarize?**
  - A. It shows only assets.**
  - B. It summarizes all income and expense transactions over a specific time period.**
  - C. It lists liabilities only.**
  - D. It shows investments growth.**
  
- 5. What is a balance sheet?**
  - A. A snapshot of income and expenses over a year.**
  - B. A record of all transactions.**
  - C. A snapshot of assets, liabilities, and net worth on a particular date.**
  - D. A list of financial goals.**

- 6. Which debt-to-income ratio is considered problematic?**
- A. Anything less than 10%.**
  - B. Anything more than 15%.**
  - C. Exactly 10%.**
  - D. Between 20% and 25%.**
- 7. What should you do to avoid overspending during shopping?**
- A. Set a limit for every shopping trip and only take cash to resist temptation.**
  - B. Carry multiple credit cards to increase buying power.**
  - C. Shop without a list to maximize spontaneous purchases.**
  - D. Buy items on sale regardless of need.**
- 8. How do values define financial success?**
- A. Values are fixed percentages in a budget.**
  - B. Values directly determine annual investment returns.**
  - C. Values are fundamental beliefs about what is important and desirable, and personal financial goals grow out of these values.**
  - D. Values are irrelevant to financial planning.**
- 9. How can you increase take-home pay?**
- A. By increasing gross wages.**
  - B. By reducing hours worked.**
  - C. By changing income tax withholding.**
  - D. By avoiding benefits enrollment.**
- 10. What are monetary assets?**
- A. Physical properties like cars and furniture.**
  - B. Long-term investments.**
  - C. Intangible assets only.**
  - D. Assets that can be easily converted to cash.**

## Answers

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1. D
2. B
3. C
4. B
5. C
6. B
7. A
8. C
9. C
10. D

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## **Explanations**

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## 1. Which items should be stored in a safe-deposit box?

- A. Names and contact information for financial advisers
- B. Copies of financial plans
- C. Employer retirement plan correspondence
- D. All of the above**

Safeguarding important financial documents in one secure place helps ensure they are accessible to the right people when needed. Names and contact information for financial advisers belong here because, if something happens to you, your executor or loved ones can quickly reach the professionals who can help manage your affairs. Copies of financial plans are useful as a roadmap for beneficiaries and executors, clarifying goals, asset allocations, and recommended steps so there's less confusion during a stressful time. Employer retirement plan correspondence contains details about benefits, beneficiary designations, and account information that are essential for properly handling those assets after death or in case of incapacity. Keeping all these items together in a safe-deposit box reduces the risk of lost documents and delays, and complements other planning tools like wills or powers of attorney. All of these items belong in a safe-deposit box.

## 2. What is budget variance?

- A. The difference between the amount budgeted and the actual amount spent or received.
- B. The total income for the period.**
- C. The rate at which expenses grow.
- D. The net worth at the end of the period.

Budget variance is the difference between what you planned to spend or earn in your budget and what actually happened. It shows whether you're over or under your plan and by how much, helping you adjust spending, savings, or forecasts for future periods. For example, if you budgeted \$1,500 for dining out but spend \$1,800, the variance is \$300 unfavorable. If you spend less than planned, say you budgeted \$500 for entertainment but only spend \$450, the variance is \$50 favorable. This concept isn't the total income for the period, which is the actual amount earned. It's also not the rate at which expenses grow (a growth trend) or net worth (assets minus liabilities).

### 3. Budget variance is defined as which of the following?

- A. The total revenue for the budgeting period.
- B. The remaining cash after paying bills.
- C. The difference between the amount budgeted and the actual amount spent or received.**
- D. The rate of inflation affecting the budget.

Budget variance is the difference between what you planned to spend or receive and what actually happened. It shows how far actual results deviate from your budget, highlighting where you stuck to the plan or where you need to adjust. For example, if you budget \$2,000 for groceries but spend \$2,300, the variance is \$300 over budget (unfavorable). If you budget \$500 for dining out and only spend \$350, the variance is \$150 under budget (favorable). In personal finance terms, favorable means you did better than planned (spending less or earning more), while unfavorable means you spent more or earned less than planned. The other options aren't variances themselves: total revenue is simply the amount earned, not the difference from budget; remaining cash after bills is your ending cash balance, not how far you were from your budget; and inflation is a factor that can affect budgets but isn't the variance itself.

### 4. What does a cash-flow statement summarize?

- A. It shows only assets.
- B. It summarizes all income and expense transactions over a specific time period.**
- C. It lists liabilities only.
- D. It shows investments growth.

A cash-flow statement focuses on how cash moves in and out of the business over a period, showing the actual cash effects of operating, investing, and financing activities. It answers how much cash is generated or used during a specific timeframe, leading to a net increase or decrease in cash. That's why the option describing it as summarizing all income and expense transactions over a specific time period fits best: it captures the idea of cash receipts and cash payments that occur within the period, rather than just listing assets, liabilities, or the growth of investments. Assets and liabilities appear on the balance sheet, not in the cash-flow statement, and while investments can affect cash flows, the statement isn't a measure of investments' growth itself.

## 5. What is a balance sheet?

- A. A snapshot of income and expenses over a year.
- B. A record of all transactions.
- C. A snapshot of assets, liabilities, and net worth on a particular date.**
- D. A list of financial goals.

A balance sheet shows your financial position at a specific date by listing what you own (assets), what you owe (liabilities), and your net worth (assets minus liabilities). It's a snapshot in time, not a flow of income or expenses. This differs from an income statement, which tracks performance over a period, and from a transaction ledger, which records individual entries. The balance sheet helps you assess solvency and liquidity by showing how changes in assets and debts affect your net worth. For example, you might have cash, investments, and property as assets, loans and credit card balances as liabilities, and the difference between the two as your net worth.

## 6. Which debt-to-income ratio is considered problematic?

- A. Anything less than 10%.
- B. Anything more than 15%.**
- C. Exactly 10%.
- D. Between 20% and 25%.

Debt-to-income ratio shows how much of your gross monthly income is committed to debt payments. When this share is higher, there's less cash left for essentials, emergencies, and saving, which makes it harder to stay on top of obligations and increases the risk of financial strain. A DTI that is more than 15% signals a meaningful portion of income going toward debt, leaving less room to absorb surprises like a job gap or medical costs. That reduced cushion is why it's considered problematic: it indicates tighter financial margins and greater vulnerability to repayment difficulties. In many lending contexts, keeping DTI well below upper limits (often around the 36-43% range for total debt) is preferred, so crossing the 15% mark is a notable warning sign in personal-finance discussions. The other options describe lighter or different levels: less than 10% or exactly 10% would be comfortably low, and while 20-25% is certainly higher, the idea conveyed by the threshold in question is that any amount over 15% is a red flag.

## 7. What should you do to avoid overspending during shopping?

- A. Set a limit for every shopping trip and only take cash to resist temptation.**
- B. Carry multiple credit cards to increase buying power.**
- C. Shop without a list to maximize spontaneous purchases.**
- D. Buy items on sale regardless of need.**

The main idea is to create a real constraint on spending by setting a clear limit for each shopping trip and using cash only. This combination helps your spending stay aligned with your budget in several ways. A specific limit forces you to plan what you truly need and can afford, turning a vague intention into a concrete target. Carrying cash makes the money feel tangible and finite, so you're less likely to dip into funds you've earmarked for other goals and less likely to incur debt with credit purchases. Because the cash can run out, there's a built-in safeguard against impulse buys—you're motivated to think twice before spending beyond the limit and you'll prioritize essentials over optional items. This approach also encourages better shopping habits, like sticking to a list and comparing prices, since you know you only have a limited amount to work with. It keeps you focused on needs rather than wants, which is the heart of avoiding overspending. Carrying multiple credit cards can increase temptation to spend more since you have more purchasing power and a path to debt. Shopping without a list invites spontaneous purchases that you haven't evaluated against your budget. Buying items on sale, even if discounted, can still lead to overspending if you buy things you don't need or won't use.

## 8. How do values define financial success?

- A. Values are fixed percentages in a budget.**
- B. Values directly determine annual investment returns.**
- C. Values are fundamental beliefs about what is important and desirable, and personal financial goals grow out of these values.**
- D. Values are irrelevant to financial planning.**

Values are fundamental beliefs about what's important and desirable, and personal financial goals grow out of these values. When you see money through the lens of what you truly care about—security for loved ones, freedom to travel, or contributing to causes you value—your budgeting and saving choices naturally reflect those priorities. This alignment makes financial success feel meaningful and sustainable, because you're working toward goals that matter to you, not someone else's standard. For example, valuing security may lead you to build an emergency fund and pay off debt first, while valuing experiences might mean allocating funds for travel or learning, within a broader plan. Budgeting and investing then become tools to support those values, rather than rules that feel imposed. The other ideas miss this point: values aren't fixed budget percentages, they don't directly determine market returns, and they aren't irrelevant to planning.

## 9. How can you increase take-home pay?

- A. By increasing gross wages.
- B. By reducing hours worked.
- C. By changing income tax withholding.**
- D. By avoiding benefits enrollment.

Take-home pay is the amount you receive after taxes and other deductions. The most controllable factor you can adjust in the near term is how much tax is withheld from each paycheck. By updating your income tax withholding, you can keep more money in each paycheck now without changing your hours or gross pay. This is done by submitting a new W-4 form (or equivalent) to more accurately reflect your tax situation, so less is withheld every pay period. It's important to estimate your annual tax liability so you don't end up owing money at tax time or giving the government an interest-free loan through over-withholding. Increasing gross wages would raise take-home pay only to the extent that after taxes the net effect is higher, and it depends on getting a raise or a higher tax bracket—it's less direct. Reducing hours reduces gross pay and thus reduces take-home pay. Avoiding benefits enrollment might change pre-tax deductions, but it also cuts valuable coverage and can have other downsides, so it's not a reliable way to increase take-home pay.

## 10. What are monetary assets?

- A. Physical properties like cars and furniture.
- B. Long-term investments.
- C. Intangible assets only.
- D. Assets that can be easily converted to cash.**

Monetary assets are assets that have a fixed cash value and can be converted into cash with relative ease. This includes cash itself, bank balances, and items like receivables that will be paid in cash. The key idea is liquidity and a known cash amount. Physical items such as cars or furniture aren't monetary because their value isn't expressed in a readily available cash amount, and they aren't quickly convertible to cash. Long-term investments or intangible assets aren't inherently cash-like, since they may require time or effort to convert to cash or may not be in a guaranteed cash amount. So, assets that can be easily converted to cash best describe monetary assets.

## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://personalfingobudgetwealthbldg.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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